

ensure the proper disposition, according to law, of the assets of the bank." ¹ This power to take control of the affairs of a suspended bank was first availed of in 1905 in the case of the failure of the Bank of Yarmouth.

Minor amendments of the law in 1900 reduced the rate of interest on the notes of a failed bank in the hands of the public from six to five per cent., and imposed a charge upon the assets of the failed bank of three per cent, upon the amount paid for the redemption of notes from the Bank Circulation Redemption Fund beyond the amount in the fund at the credit of the bank. Another new provision prohibited the issue of notes during a period of suspension, in order to convert claims of favored depositors or other creditors into a first lien.² While no specific provision was made in regard to reserves, an opinion has grown up that not less than fifteen per cent, of demand liabilities should be held in gold and Dominion notes, and banks falling materially below this proportion are admonished by the Bankers' Association.³

The rapid growth of Western Canada created a demand for currency and for banking accommodation which explains the expansion of note circulation and banking assets in the twentieth century. The demand for currency was met in part by the issue of Dominion notes, which were absorbed into bank reserves under the requirement that such reserves should consist of notes in the proportion of at least forty per cent. The Minister of Finance proposed in 1903 an increase in the authorized issue, covered by a twenty-five per cent, gold reserve, from \$20,000,000 to \$30,000,000. Any amount in excess may be issued upon the deposit of gold for the full amount.⁴ The banks held total reserves of both specie and

¹ *Revised Statutes*, 1906, ch. 29, sec. 119.

² Act of 63-64 Victoria, ch. 26, sec. 10.

³ *U. S. Consular Reports*, May 14, 1907, 3. Much of the gold used in Canada is coin of the United States. A computation made in 1907 put the amount of such gold in the Dominion Treasury at \$29,494,298, and in chartered banks at \$11,320,323, being respectively about 80 and 57.56 per cent, of total specie held.

⁴ *New York Bankers* Magazine*, August, 1903, LXVII, 246.